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SUBJECT: TOKYO MEDIA REACTION - FRB RATE CUT

LEAD STORIES: All Thursday morning papers led with the results of a Japanese government survey that showed a 1 percent rise in average commercial land prices across the nation as of July 1 compared to a year earlier.

¶1. "Drastic Measures Necessary to Resolve Subprime Loan Problem" The liberal Mainichi editorialized (9/20): "The US lowered its key interest rate for the first time in almost four years.... The US has adopted an easy-money policy as an 'emergency measure' to prevent cash-strapped financial institutions from suffering a credit crunch.... It is necessary for the US to take appropriate steps to deal with the subprime loan fiasco in order to resolve the current confusion in the financial markets.... The FRB needs to immediately take drastic measures to prevent the subprime loan problem from affecting global markets."

¶2. "Anxiety Remains Despite Rate Cut" The liberal Tokyo Shimbun wrote in an editorial (9/20): "...We welcome the FRB decision to cut the federal funds rate by 0.5 point at a time when a clear message from US authorities was needed. Markets in New York and Tokyo reacted positively in the hope of a rise in share prices. Although markets appear to be enjoying a temporary respite, this is no time for complacency. Former FRB Chairman Greenspan recently told the European press that he would not be surprised to see a double-digit drop in US housing prices. Current FRB Chairman Bernanke stressed the gravity of the subprime loan problem, saying that the vulnerability of the housing market has continued longer than expected and

that the losses in global financial markets have also exceeded expectations."

SCHIEFFER